

File

# MERLAND

OIL COMPANY of CANADA LIMITED

## ANNUAL REPORT

SEPTEMBER 30, 1969

# MERLAND OIL COMPANY OF CANADA LIMITED

SUITE 500, 360 BAY STREET, TORONTO 1, ONTARIO, CANADA

## OFFICERS

R. JOHN ADAMS - - - - - *President*  
JOHN A. CAMERON - - - - - *Executive Vice-President  
and Secretary*  
KAZUO TAKAI - - - - - *Treasurer*

## DIRECTORS

R. JOHN ADAMS - - - - - Montreal  
JOHN A. CAMERON - - - - - Toronto  
ROBERT LAW, Q.C. - - - - - Toronto  
W. O. PARLEE, Q.C. - - - - - Edmonton  
C. S. ROBINSON - - - - - Sidney, B.C.  
GEO. T. SMITH, B.A.Sc. - - - - - Toronto  
D. R. WATT - - - - - Toronto

## AUDITORS

PEAT, MARWICK, MITCHELL & Co.  
Chartered Accountants,  
4 King Street West,  
Toronto 1, Ontario.

## REGISTRAR AND TRANSFER AGENT

GUARANTY TRUST COMPANY OF CANADA,  
311 - 8th Avenue S.W., Calgary, Alberta.  
624 Howe Street, Vancouver, B.C.  
88 University Avenue, Toronto, Ontario.

## BANKERS

THE ROYAL BANK OF CANADA,  
20 King Street West, Toronto 1, Ontario.

## LISTED

Shares Listed Vancouver Stock Exchange.



## MERLAND OIL COMPANY OF CANADA; LIMITED

NOTICE OF ANNUAL AND SPECIAL  
GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special general meeting of shareholders of Merland Oil Company of Canada, Limited (the "Company") will be held at the head office of the Company, Suite 500, 360 Bay Street, Toronto, Ontario, on Thursday, the 5th day of February, 1970 at the hour of 11:00 o'clock in the forenoon, Eastern Standard Time, for the following purposes:

1. To receive the annual report of the Company as at September 30, 1969 containing the consolidated financial statements of the Company for the fiscal year ended September 30, 1969 and the report of the auditor thereon;
2. To elect directors;
3. To appoint an auditor and to authorize the directors of the Company to fix the auditor's remuneration;
4. For the special purpose of considering and, if thought advisable, confirming By-law No. 18 of the Company enacted on the 7th day of January, 1970, being a by-law relating generally to the transaction of the business and affairs of the Company and providing for the repeal of the existing general by-laws of the Company from and after the coming into force of this By-law without prejudice to any action taken thereunder;
5. For the special purpose of considering and, if thought advisable, sanctioning By-law No. 19 of the Company enacted on the 7th day of January, 1970, being a by-law respecting the borrowing of money, the issuing of securities and the securing of liabilities by the Company and providing for the repeal of the existing By-laws A, B and 12 of the Company from and after the coming into force of this By-law without prejudice to any action taken thereunder;
6. For the special purpose of considering and, if thought advisable, sanctioning By-law No. 20 of the Company enacted on the 7th day of January, 1970, being a by-law authorizing an Executive Committee of the Company and providing for the repeal of the existing By-law No. 11 of the Company from and after the coming into force of this By-law without prejudice to any action taken thereunder;
7. For the special purpose of considering and, if thought advisable, sanctioning By-law No. 21 of the Company enacted on the 7th day of January, 1970, being a by-law to authorize the directors to borrow and give security in the form required by The Royal Bank of Canada and providing for the repeal of any existing by-laws of the Company authorizing the directors to borrow and give security in the form required by The Royal Bank of Canada from and after the coming into force of this By-law without prejudice to any action taken thereunder;
8. For the special purpose of considering and, if thought advisable, confirming By-law No. 22 of the Company enacted on the 7th day of January, 1970 authorizing the Company, subject to confirmation by supplementary letters patent, to change its corporate name to Merland Explorations Limited and authorizing an application for supplementary letters patent for the purpose of confirming this By-law;
9. For the special purpose of considering and, if thought advisable, confirming By-law No. 23 of the Company enacted on the 7th day of January, 1970 increasing, subject to confirmation by supplementary letters patent, the authorized capital of the Company from 5,000,000 shares without nominal or par value to 7,500,000 shares without nominal or par value by the creation of 2,500,000

additional shares without nominal or par value ranking pari passu in all respects with the existing 5,000,000 shares without nominal or par value in the capital of the Company provided, however, that the aggregate consideration for the issue of the 3,435,000 unissued shares without nominal or par value shall not exceed in amount or value the sum of \$7,500,000 or such greater amount as the board of directors of the Company may deem expedient and as may be authorized by the Minister of Consumer and Corporate Affairs on payment of the requisite fees applicable to such greater amount and authorizing an application for supplementary letters patent for the purpose of confirming this By-law;

10. For the special purpose of passing a resolution consenting to every director of the Company, and his heirs, executors and administrators, and estate and effects, respectively from time to time and at all times, being indemnified and saved harmless out of the funds of the Company in accordance with the provisions of section 91 of the Canada Corporations Act;
11. To transact such further and other business as may properly come before the meeting or any adjournment thereof.

A copy of the annual report of the Company as at September 30, 1969 containing the consolidated financial statements of the Company for the fiscal year of the Company ended September 30, 1969 together with the auditor's report thereon accompanies this notice. A copy of the above-mentioned By-laws Nos. 18, 19, 20, 21, 22 and 23 of the Company which were enacted on the 7th day of January, 1970 may be inspected prior to the annual and special general meeting of shareholders by any shareholder of the Company at the head office of the Company, Suite 500, 360 Bay Street, Toronto 1, Ontario during ordinary business hours on any business day. A copy of the said By-laws of the Company may be obtained on request by any shareholder of the Company from the Secretary of the Company.

DATED at Toronto this 7th day of January, 1970.

By Order of the Board,

J. A. CAMERON,

Secretary.

#### INFORMATION CIRCULAR

#### SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by the Management of Merland Oil Company of Canada, Limited (the "Company") for use at the annual and special general meeting of shareholders of the Company to be held on February 5, 1970 at the time and place and for the purposes set forth in the notice of meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by officers of the Company at nominal cost. The total cost of the solicitation will be borne by the Company.

#### REVOCATION AND APPOINTMENT OF PROXIES

A person executing the enclosed form of proxy has the power to revoke it at any time before its exercise.

The persons named in the enclosed form of proxy are directors of the Company. **A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON, OTHER THAN THOSE DESIGNATED IN THE FORM OF PROXY, TO ATTEND, ACT AND VOTE FOR HIM AND ON HIS BEHALF AT THE MEETING.** To exercise such right the shareholder may strike out the names in the form of proxy and insert the name of the desired person (who need not be a shareholder) in the blank space provided in the form of proxy or may complete another appropriate form of proxy, and in either case should deliver the completed proxy to the Company before the time of the meeting.



# VOTING SHARES

The Company as at the date hereof has outstanding 4,065,000 shares without nominal or par value. Each share carries the right to one vote at the meeting. Persons holding shares at the commencement of the meeting will be entitled to vote such shares at the meeting.

The only persons or companies that, to the knowledge of the directors or senior officers of the Company, beneficially own, directly or indirectly, more than 10% of the outstanding shares of the Company are Parker Investments Limited which beneficially directly owns 442,373 shares of the Company or 10.9% of the outstanding shares of the Company and Siscoe Mines Limited which beneficially directly owns 425,000 shares of the Company or 10.5% of the outstanding shares of the Company.

## ELECTION OF DIRECTORS

The board consists of seven directors elected annually. The by-laws of the Company provide that the qualification of a director of the Company is the holding at the time of his election and throughout his term of office of at least one share of the Company. The persons named in the enclosed form of proxy intend to vote for the election of the following nominees, all of whom are now members of the board of directors of the Company: Robert John Adams, John A. Cameron, Robert Law, William O. Parlee, Charles S. Robinson, George T. Smith and Donald R. Watt. The Management does not contemplate that any of the said nominees will be unable to serve as a director, but, if that should occur for any reason prior to the meeting, the persons whose names appear in the enclosed form of proxy will vote for the election of another person or persons in their discretion. Each director elected will hold office until the annual meeting next following his election or until his successor is elected or appointed.

The following table and notes thereto set out the names of all persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, their present principal occupation and the approximate number of equity shares of the Company beneficially owned, directly or indirectly, by them as of the date hereof:

<u>Name, Position and Office with the Company</u>	<u>Present Principal Occupation</u>	<u>Year First Became a Director</u>	<u>Approximate Number of Shares Bene- ficially Owned Directly or Indirectly</u>
Robert John Adams, Director and President	President, Atlific Administration Ltée. (Hotel Management Company)	1954	1,199,036 (Note 4)
John A. Cameron, Director, Executive Vice- President and Secretary	Executive Vice- President and Secretary of the Company	1969	75,000
Robert Law, Q.C., Director	Partner in the legal firm of Blackwell, Hilton, Treadgold & Spratt (Note 5)	1970	100
William O. Parlee, Q.C. Director and Vice-President	Partner in the legal firm of Clement, Parlee & Co.	1955	52,750
Charles S. Robinson, Director	Retired	1955	17,000

Name, Position and Office with the Company	Present Principal Occupation	Year First Became a Director	Approximate Number of Shares Bene- ficially Owned Directly or Indirectly
George T. Smith, Director	Director and Senior Officer of Siscoe Mines Limited and Consolidated Morrison Explorations, Limited (Mining Companies)	1966	147,000  (Note 6)
Donald R. Watt, Director	Chairman of the Board, Grant Johnston Limited (formerly G. W. Nicholson & Company Limited) (Investment Company)	1966	172,500

Notes:

- (1) Each nominee has served as a director of the Company since the year he first became a director as stated above.
- (2) The information as to equity shares beneficially owned, directly or indirectly, has been furnished by the respective nominees individually.
- (3) All of the above nominees other than Robert Law, Q.C. were elected by the shareholders of the Company at the last annual meeting of shareholders held on January 29, 1969. Mr. Law was elected by the directors of the Company on January 7, 1970 to fill the vacancy on the board of directors of the Company created by the resignation of Michael J. Walton.
- (4) R. John Adams' "associates", which include Parker Investments Limited, the beneficial owner of 442,373 shares of the Company, Acme Investments Limited, the beneficial owner of 224,970 shares of the Company, Pacific Northern Agencies Limited, the beneficial owner of 116,675 shares of the Company and Sterling Houses Limited, the beneficial owner of 101,100 shares of the Company, beneficially own 885,118 shares of the Company. The shares beneficially owned by each of Parker Investments Limited, Acme Investments Limited, Pacific Northern Agencies Limited and Sterling Houses Limited are deemed to be owned by Mr. Adams and are included in the 1,199,036 shares shown in the above table as being owned by him.
- (5) Mr. Robert Law, Q.C. has been a partner in the law firm of Blackwell, Hilton, Treadgold & Spratt for the five preceding years.
- (6) George T. Smith's "associates" include Siscoe Mines Limited which is the beneficial owner of 425,000 shares of the Company or 10.5% of the outstanding shares of the Company. Mr. Smith is also a director and senior officer of Siscoe Mines Limited, a company which the Company is engaged in joint exploration ventures.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

There was no aggregate direct remuneration paid or payable by the Company and its subsidiaries to the directors and senior officers of the Company during the Company's last completed financial year.

STOCK OPTIONS

With a view to encouraging certain of the senior officers of the Company to continue their association with the Company, the Company has granted the following options to purchase shares of the Company to senior officers:



- (1) On January 7, 1969 an option was granted to a senior officer of the Company to purchase 75,000 shares of the Company at the price of \$1 per share exercisable as follows:

- (a) as to 50,000 shares exercisable on or before December 31, 1969;
- (b) as to 25,000 shares exercisable after January 1, 1970 and on or before December 31, 1970.

The option may be exercised in whole or in part at any time and from time to time. The price range of the stock during the thirty day period preceding the grant of this option was between 60¢ and \$1.25. On May 30, 1969, this option was exercised as to 50,000 shares at the price of \$1 per share. The price range of the stock during the thirty day period preceding the date of the exercise of the option was between \$1.70 and \$2.20.

- (2) On January 14, 1969 an option was granted to a senior officer of the Company to purchase an aggregate of 5,000 shares of the Company exercisable as follows:

- (a) as to 2,500 shares exercisable on or before December 31, 1969 at the price of \$1.25 per share;
- (b) as to 2,500 shares exercisable after January 1, 1970 and on or before December 31, 1970 at the price of \$1.50 per share.

The option may be exercised in whole or in part at any time and from time to time. The price range of the stock during the thirty day period preceding the grant of this option was between 60¢ and \$1.25. This option has not yet been exercised.

#### APPOINTMENT OF AUDITOR

Messrs. Peat, Marwick, Mitchell & Co., Chartered Accountants, have been the auditor of the Company since January 21, 1966. The persons named in the enclosed form of proxy intend to vote for the reappointment of Messrs. Peat, Marwick, Mitchell & Co. as auditor of the Company to hold office until the next annual meeting of shareholders and to authorize the board of directors to fix the auditor's remuneration.

#### SPECIAL BUSINESS TO BE TRANSACTED AT THE MEETING

At a meeting of the board of directors of the Company held on January 7, 1970, the directors of the Company enacted By-laws Nos. 18, 19, 20, 21, 22 and 23 of the Company. At the annual and special general meeting of the shareholders of the Company to be held on February 5, 1970, the shareholders will be asked to sanction or confirm these by-laws.

By-laws Nos. 18, 19, 20 and 21 have been enacted for the purpose of bringing the Company's existing by-laws (which were enacted some years ago) regarding the matters covered by these by-laws up to date in view of changes that have been made in the Canada Corporations Act and in predecessors of that Act. By-law No. 18 accordingly provides for repealing the existing general by-laws of the Company relating to the administration of the affairs of the Company and for enacting a new general by-law for the Company. By-law No. 19 provides for repealing the existing by-laws of the Company respecting the borrowing of money, the issuing of securities and the securing of liabilities by the Company and for enacting a new by-law covering the same matters. By-law No. 20 provides for repealing the existing by-law of the Company authorizing an Executive Committee of the Board of Directors of the Company and for enacting a new by-law authorizing such a Committee. By-law No. 21 is a by-law authorizing the directors to borrow and give security in the form required by the Company's bankers, The Royal Bank of Canada, and provides for the repeal of any existing

by-laws enacted by the Company in a previous form required by such bank.

By-law No. 22 provides for changing the name of the Company to Merland Explorations Limited. It is considered by the board of directors of the Company that this name more appropriately describes the activities of the Company.

By-law No. 23 provides for increasing the authorized capital of the Company by creating 2,500,000 additional shares of the Company ranking on a parity with the existing shares of the Company and for fixing the aggregate consideration for which the 3,435,000 unissued shares of the Company may be issued at \$7,500,000 or such greater amount as the board of directors may deem expedient and as may be authorized by the Minister of Consumer and Corporate Affairs on payment of the requisite fees. This increase of capital is considered desirable by the board of directors of the Company so that if opportunities present themselves to the Company requiring the issue of shares either for cash or for property, the Company will have shares available for issue and will not miss such opportunities.

The shareholders will also be requested to pass a resolution consenting to every director of the Company, and his heirs, executors and administrators, and estate and effects respectively from time to time and at all times, being indemnified and saved harmless out of the funds of the Company in accordance with the provisions of section 91 of the Canada Corporations Act.

#### VOTING OF SHARES REPRESENTED BY MANAGEMENT PROXY

The shares represented by each Management proxy received by the Company will be voted. Where the shareholder specifies a choice with respect to sanctioning By-laws Nos. 19, 20 and 21 of the Company and with respect to confirming By-laws Nos. 18, 22 and 23 of the Company, such shares will be voted in accordance with the specification so made. Where the shareholder specifies a choice with respect to passing the resolution consenting to the indemnification of every director of the Company, and his heirs, executors, administrators, and estate and effects respectively, such shares will be voted in accordance with the specification so made. In the absence of any such specification in any such Management proxy, the shares represented thereby will be voted in favour of sanctioning and confirming the said By-laws of the Company and in favour of the passing of the said resolution.

THE ENCLOSED FORM OF PROXY CONFERS DISCRETIONARY AUTHORITY UPON THE PERSONS NAMED THEREIN WITH RESPECT TO AMENDMENTS OR VARIATIONS TO MATTERS IDENTIFIED IN THE NOTICE OF MEETING AND ANY OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING. At the date hereof the Management of the Company knows of no such amendment or variation or matter to come before the meeting other than the matters referred to in the notice of meeting. If, however, any other matters properly come before the meeting, the accompanying proxy will be voted on such matters in accordance with the best judgment of the person voting the proxy.

Toronto, Ontario.  
January 7, 1970.



## MERLAND OIL COMPANY OF CANADA LIMITED

SUITE 500  
360 BAY STREET  
TORONTO 105, ONTARIO  
363-5815

May 20, 1969.

Dear Shareholder:

As outlined in the Semi-Annual Report as at March 31, 1969 and in a Progress Report dated April 11, 1969, your Company has undertaken a number of new projects during 1969 and has a relatively large exploration programme planned and underway.

The cash requirements for current programmes to the end of 1969 are estimated as follows:—

Bank loans, accounts payable, broker loans .....	\$ 280,000
Wollaston Lake .....	35,000
Jamaica — Nickel prospect .....	35,000
Investigation of properties under active study .....	80,000
General and operating expenses .....	50,000
	<u>\$ 480,000</u>

The recommendations from our consultant, Mr. John Phillipson, who is now engaged on a full time basis as the Company's consulting mining engineer and geologist, regarding the two new prospects, are outlined below:—

#### WOLLASTON LAKE

Merland Oil and its partner, Siscoe Mines Limited, intend to initiate a programme of mineral exploration on the two permits held by your Company in the Wollaston Lake area of Saskatchewan. It is proposed to carry out aerial gamma ray spectrometer as well as electro-magnetic work followed by ground investigation and if warranted by diamond drilling. The cost of this work will be approximately \$70,000, divided equally between Merland Oil and Siscoe Mines Limited.

#### JAMAICA NICKEL PROSPECT

Merland Oil has obtained a special exclusive prospecting licence for nickel (S.E.P.L. 260) covering 7.2 square miles in the Parish of St. Thomas, Jamaica, for one year with effect from April 8, 1969. The costs for exclusive prospecting licences in Jamaica are nominal. It is proposed to carry out a magnetometer survey and simultaneously, soil geochemical sampling at 50 foot intervals along lines 1,000 to 2,000 feet apart, across the two areas of nickeliferous mineralization associated with the serpentine rocks of Cedar Valley, Parish of St. Thomas, Jamaica. This is to be followed, if warranted, by shallow drilling on a grid pattern. The anticipated cost of this work will be approximately \$35,000.

In order to finance these programmes and to provide additional funds for the investigation of properties under active study in the Mediterranean, East Africa and in Canada's Larder Lake, Gaspé and Kirkland Lake areas, your Board of Directors proposes to give the shareholders of record as at May 28,





1969, the opportunity to participate. It is proposed that the shareholders of record on that date will be offered the right to purchase one additional treasury share for every ten shares held on the record date and on or about June 2, 1969, subscription warrants evidencing such rights will be mailed to shareholders. The rights issue will expire on June 30, 1969 and the Company will apply for the rights to be listed for trading on the Vancouver Stock Exchange.

With respect to any shares which are not taken up by shareholders pursuant to the exercise of the rights to be issued to them, the Company is arranging with Annett Partners Limited, Annett Mackay Limited and Continental Investment Corporation Limited, to underwrite such shares at the price of \$1.50 per share. As compensation to the underwriters for their commitment, the Company will pay an amount of fifteen cents (15¢) per share for the 365,000 shares of the Company for which rights to subscribe are to be issued. Out of such compensation, the underwriters will pay member firms of The Investment Dealers' Association of Canada and of recognized Stock Exchanges in Canada a commission of five cents (5¢) per share for each share issued upon the exercise of a right upon which the name of such member firm appears. The underwriters will assume the expenses of advertising this offering to shareholders and of solicitations in connection therewith. Accordingly, the Company anticipates that the proceeds to be received by the Company from the sale of 365,000 shares amounting to \$547,500 less compensation to the underwriters of \$54,750 and other expenses incidental to such sale (estimated not to aggregate more than \$12,750) will be \$480,000.

It is obvious that if the results of the proposed programmes in Jamaica and Wollaston Lake are favourable, additional funds will be required for further exploration and development as well as for completion of the option payments in Can-Tropic Exploration Limited. In such event your Board of Directors is confident that satisfactory financial arrangements can then be made.

#### **UNITED STATES SHAREHOLDERS**

As the common shares referred to herein are not registered under the United States Securities Act of 1933, as amended, the Company will not knowingly accept subscriptions from any shareholder or his agent or any person who appears to be, or the Company has reason to believe is, a resident of the United States of America or any territory or possession thereof. However, the Company understands such persons may sell their Rights through the usual investment channels.

SHAREHOLDERS WHOSE CERTIFICATES ARE IN STREET NAME SHOULD TAKE IMMEDIATE STEPS TO HAVE THEIR SHARES REGISTERED IN THEIR OWN NAME SO AS TO FACILITATE THEIR RECEIVING THEIR SUBSCRIPTION WARRANT PROMPTLY. SHAREHOLDERS WHO WILL BE AWAY DURING THE SUBSCRIPTION PERIOD SHOULD MAKE ARRANGEMENTS TO DEAL WITH THEIR RIGHTS BEFORE THE EXPIRY DATE.

Yours very truly,

MERLAND OIL COMPANY OF CANADA, LIMITED

JOHN A. CAMERON,  
Executive Vice-President and Secretary.





*file*

# MERLAND

OIL COMPANY OF CANADA LIMITED

Suite 500, 360 Bay Street, Toronto 105, Ontario, Canada

## A SPECIAL REPORT

October, 1969

For its first forty years, Merland Oil Company of Canada Limited had a modest career as an oil producer in Alberta and Saskatchewan. Then in 1966 Mr. R. John Adams, who first acquired an interest in the Company in 1951, started the program which has led to Merland becoming a promising factor on the Canadian and overseas mineral exploration scene. On its own account and with partners Merland has become active in the Gaspé, in the Wollaston Lake area, the Hudson Bay oil exploration play, the Arctic Muskox project and other areas of interest in Canada. Abroad, Merland is showing particular interest in Jamaica, Greece, Spain and East Africa. It has ample funds and it has senior personnel especially well qualified to handle these somewhat exotic projects of high potential value. Of particular interest at the moment is a nickel prospect situated only fourteen miles from Kingston, Jamaica.

The purpose of this report is to provide a brief history of the Company and to outline its present exploration posture by discussing in detail its various programs now under way and planned. These programs are being carried out in accordance with the Directors' belief that it is possible to provide substantial exposure to resource prospects by a well-financed total utilization of a small professional staff. It is the Directors' hope that present and potential shareholders will find this report of some interest.

### HISTORY OF THE COMPANY

Founded under Federal charter in 1926, Merland first caught the public eye by bringing in an oil well in November of 1929 which proved to be the southernmost in Alberta's prolific pioneer Turner Valley field. This well promptly caught fire, and turned out to be non-commercial. In May, 1931, Merland brought in another well nearby from a depth of 5,550 feet with an average flow of 128 barrels per day. This well continued to produce a small revenue for the Company until it was sold to British American Oil Co. Limited in 1951 for \$12,000.

In 1951 the issued capital was increased from 970,346 shares to 1,500,000 shares, and a small interest was acquired in the Leduc-Kavanagh field of Alberta. In 1952 Merland reported ownership of interests in two oil wells in Leduc-Kavanagh and in two in the Nevis field. Issued shares rose to 2,600,000. By 1955 the Company had interests in eleven oil wells in Alberta and Saskatchewan and in a syndicate searching for uranium in the Marian River area of the Northwest Territories. Mr. Adams had become president and the issued capital had risen to 2,850,000 shares.

Three years later, in 1958, Merland had interests in twelve oil and gas wells, and had acquired 200,000 shares (6.0% interest) of Fort St. John Petroleums Limited, which it still holds. This company, a 54% owned subsidiary of Canadian Hydrocarbons Limited, holds extensive producing gas and oil interests in Alberta and northeastern British Columbia, as well as 92% of Vancouver Island Gas Co. Limited, which distributes butane gas in Victoria and other centres on the Island.

During the period 1951 to 1966 the Directors engaged actively in real estate and related ventures, rebuilding and improving the Company's realizable assets by approximately \$750,000.

Over the last couple of years Merland has spread out into the mining exploration field, and has made further resource-based investments. These include 80,000 shares (1.8% interest) of Consolidated Morrison Mines Limited and 55,000 shares (1.1% interest) of Siscoe Mines Limited.

Consolidated Morrison's main assets are:

- (i) 25.9% interest in a 31,400 acre spread in the James Bay lowlands area of Ontario, on which a large columbium deposit has been discovered. Operating and marketing feasibility studies have been completed, and a production decision is expected by the end of this year. An Imperial Oil subsidiary, with a 60% interest, is the operator for this syndicate.
- (ii) Through a subsidiary, Morrison Resources Limited and its subsidiary, Morrison Nuclear Inc., it holds a total of approximately 220,000 acres in the Blind River area of Ontario and in several of the Rocky Mountain region states. A \$10 million public share issue of Morrison Resources is planned and awaits better equity markets.
- (iii) 300,000 shares of Noranda Mines Limited, with a current market value of about \$10 million. These were obtained several years ago as payment for a potash property in Saskatchewan sold to Noranda.

Siscoe's main assets are:

- (i) A silver-cobalt mine at Gowganda, Ontario, which yielded a gross revenue of \$1.8 million in the twelve months ended June 30, 1969.
- (ii) Its 50% joint venture arrangement with Merland.
- (iii) Sundry other non-producing properties across Canada.
- (iv) 346 acres of land in Mississauga, near Toronto, and a 211-room hotel on Howe Street, Vancouver, which is being operated as a Holiday Inn. This hotel is leased to Atlific Inns (B.C.) Limited, in which company Siscoe holds a 25% interest.
- (v) An investment portfolio with a market value at December 31, 1968 of \$10.6 million. The main holdings were in Alminex Limited, Camflo Mines, Consolidated Morrison, Granby Mining and Patino Mining. A holding as at that date of 300,000 shares of Merland has since been increased to 425,000 shares (10.4% interest).

## CONCEPT

With its multi-lingual staff, its international connections and its adequate finances, Merland is especially well equipped to carry out exploration programs abroad. The Company's management thus is ready to examine interesting and potentially profitable situations which others might pass by out of timidity or necessity.



In this connection, the qualifications of two senior officials are of particular interest. John A. Cameron, the executive vice-president, joined Merland early in 1968 with a background of experience in resource industries and the investment business. For some years he was manager of the crude oil department of Husky Oil Canada Limited, moving to Regina in 1957 as general manager of Prairie Pipe Manufacturing Limited (IPSCO). Since 1962 he served as a partner and resident director of a Toronto-based firm of investment dealers in their offices in Jamaica, Montreal and Toronto. Mr. Cameron is presently executive vice-president of Eastern Business Management Limited, of Toronto.

Mr. John Phillipson, a graduate of McGill University, is the Company's consulting mining engineer and geologist. His early life was spent in Africa, Canada and Greece. He has fifteen years' field experience in many parts of the world from the Arctic Circle to the Equatorial rain forest as a mining engineer and exploration geologist, and is especially familiar with the problems and possibilities of the developing countries; he is also aware of and sympathetic with their aspirations and goals. He is fluent in French, German, Spanish, Portuguese, Greek, Kiswahili and Lingala.

## **PRESENT AND PROJECTED ACTIVITIES**

Merland's field activities fall into two categories, those programs in Canada and those abroad.

### **Canada**

#### **(I) GASPE:**

During the summer of 1969 three groups containing a total of 155 claims were staked by Merland and its equal partner Siscoe Mines in the mountainous central Gaspé region south of the presently producing Gaspé and Madeleine copper mines. These three claim groups, in Holland, Bonnacamp, Deslandes and Lesseps Townships, were picked as prime exploration targets on the basis of aerial and ground structural analysis.

Line-cutting and geochemical work has been completed, and the season's geophysical work should be finished by the first week in October. Results from the geochemical analysis to date (90% complete) have revealed the presence of nine copper anomalies, one copper-zinc anomaly and eight zinc anomalies, all of moderate intensity. The budget totals \$60,000 for this project, which is designed to evaluate the claims so that a decision may be made whether and where to drill in 1970.

Subsidiary to and less advanced than the above are two small projects at Lac St. Ignace and Lepage, southeast of Ste.-Anne-des-Monts and northwest of the main projects. Geochemical work has indicated the possible presence of copper and zinc values in the first project, while some copper sulphide mineralization is present in the second.

#### **(II) KIPAWA:**

Interesting uranium values have been reported from this area of western Quebec just east of Lake Temiskaming. Merland's consultants consider this area worthy of further examination, particularly in view of the recent find by the Sturdy-Talisman group.

#### **(III) WOLLASTON LAKE:**

The Merland-Siscoe team has two jointly-owned permits covering about 385,000 acres in the Wollaston Lake district of northeastern Saskatchewan. A five-man team has been working on these permits with a McPhar Radon Emanometer, an instrument used to detect the presence of radon gas in ground water, and hence of uranium. The \$60,000 budget, of which Merland's share is \$30,000, also allows for some base metal geochemistry together with prospecting and mapping. Work will be

completed on Permit #2, the more southerly, by the end of September, and the prospecting party expects to complete a program on Permit #1 by the third week of October.

These permits were acquired in December, 1968 for \$29,000 each. To keep them in good standing a total of \$60,000 must be spent in 1969, \$90,000 in 1970 and \$120,000 in 1971.

#### (IV) MUSKOKX MINES LIMITED:

Merland owns 89,336 Class "A" shares (5.9% interest) at a cost of \$47,548 in this company, which was formed by a number of exploration companies to examine several concessions on Victoria Island in the Arctic archipelago. During 1968 very rich specimens of copper float were found, but the 1969 program is still under way and has not yet been fully evaluated.

#### (V) NORTHWEST OILS LIMITED:

Through this wholly-owned subsidiary, Merland is the registered holder of exploratory permits numbered 58-62, covering approximately 592,000 acres in Manitoba on the west shore of Hudson Bay. These were acquired in February, 1968, for a deposit fee of \$29,615. By the payment of \$60,000 to the Manitoba government, Merland renewed approximately 400,000 acres of these permits for a further period of thirty months from August 1969. The acreage retained covers the shoreline of Hudson Bay for 60 miles from Owl River in the north to York Factory in the south. At least one "slim hole" will be drilled to the Precambrian formation within the next six months, whenever the weather is suitable, to gain geological information. The estimated cost of this exploration and drilling program is \$80,000. In August three Vancouver companies, Adera Mining Limited, Pathfinder Uranium and Nickel Mines Limited and Oro Mines Limited, each acquired a 12% working interest in these permits and the program on payment to Merland of \$10,000 each.

The first well to be drilled in 1969 in the Hudson Bay area had reached a depth of 1,700 feet as at September 18. Its projected depth is 4,000 feet, and it is being put down by the Aquitaine-Sogepet group, whose 7 million acre block adjoins Merland to the east. Location of the well is on the shoreline just east of the Manitoba-Ontario border. A second slim hole well will be started in the near future, also onshore. It is understood that Aquitaine's planned well in the middle of Hudson Bay is now being drilled.

### **Abroad**

#### (I) JAMAICA NICKEL PROSPECT:

Perhaps the most rewarding of all Merland's programs now under way will turn out to be its search for nickel in a favourable area 14 miles east of Kingston. The Company has obtained at nominal cost from the Government special exclusive prospecting licences for nickel (S.E.P.L.260 and 269) covering 19.8 square miles in the Parish of St. Thomas for one year from April 8, 1969, and embracing all the known ultrabasic rock formations on the island. Interest in this area has been high, and over a hundred square miles of Exclusive Prospecting Licences have been granted recently, with a large block going to Falconbridge Nickel Mines Limited. While much of the terrain in the eastern part of Jamaica is rugged, this particular area is gently rolling and easily accessible.

During the summer a magnetometer survey and geochemical soil sampling were initiated. Grid geochemical sampling is in progress to establish drill targets on the extensive anomalies, the main one having a length of over 2,000 feet, open at both ends, and with widths ranging from 350 to 600 feet. A bulk soil sample was sent to McGill University for reduction to concentrate form; this sample is now being assayed. Results of this assay should be known by the middle of October. This procedure was



followed when it was discovered that routine geochemical soil samples showed interesting nickel values running up to 4,580 ppm (parts per million), or slightly more than 0.45% nickel in the soil. Values of this magnitude indicate strongly the presence of an orebody of as yet unknown size.

Further work on this property has disclosed, both on surface as well as in diamond drill core, that the nickel mineralization is in the form of sulphides, principally of the material "millerite". Drilling, presently in progress, has been slowed down by the encounter of strong thrust-faults making progress and core recovery a problem.

The significance of this possible nickel discovery is that it would appear to occur as a sulphide associated with ultrabasic rocks, rather than in the lateritic or silicate form which is common in the tropics. Platinum metals occur with nickel sulphide, but not with the silicate. If nickel consumption follows the 1956/66 annual growth rate of 6.5%, total world demand should be about 600,000 tons by 1975. Production however could be from 725,000 tons to over 1,000,000 tons depending on how many laterite deposits are brought into production.

On the other hand, the platinum supply/demand picture is different. The curbing of air pollution is in the forefront of public policy today. Automobiles are largely responsible for air pollution. If government authorities, particularly in the United States, were to require the removal from gasoline of tetra-ethyl lead (one of the principal agents of pollution) platinum consumption could increase by over 500%.

To the North and East of Merland's Nickel prospect, Can-Tropic Explorations Limited holds an 85% interest in approximately 43 square miles of Exclusive Prospecting Licences where Copper mineralization has been discovered. Merland owns 25% of Can-Tropic's shares and has completed a modest drilling program at a cost of \$35,000 on E.P.L. 211. It is obvious that a large mineralized zone, both in length and width, is present but of relatively low values. A complete evaluation is underway to determine possible new targets. Teck Corporation and Cominco are also engaged in geochemical and drilling programs in Jamaica.

## (II) GREECE:

Negotiations, which have been under way for most of this year, are expected to lead to the formation of a joint venture to explore for base metals and other valuable materials in that country. Many orebodies are suspected to exist; they are only awaiting examination and evaluation by modern methods and techniques. Merland will own 60% of this company, and a subsidiary of the Hellenic Industrial Development Bank, a government agency, will hold the other 40%. A meeting of the principals is taking place in Athens early in October. In this project Mr. Phillipson's knowledge of the Greek milieu and language is of great value to Merland.

## (III) SPAIN:

Also planned for the near future is an investigation of old copper workings about fifty miles from Cordoba, in southern Spain. Copper has been mined in this area since the days of the Phoenicians. Indeed, the foundations of the worldwide Rio Tinto empire were laid near here over a hundred years ago. Patino is another company active here. An option can be obtained on these workings on advantageous terms.

## (IV) KENYA AND TANZANIA:

Merland's management has established a useful rapport with the governments of these countries through frequent visits by Mr. Phillipson, whose main base of operations in recent years had been at

Nairobi. The Company's geologists have examined uranium and tin occurrences here, and propose to follow up this work.

### Joint Ventures

Besides doing field work on its own account, Merland follows a policy of increasing its exposure and reducing its risk by engaging in joint ventures with other parties. The 50-50 partnership with Siscoe Mines in certain Canadian exploratory prospects has already been discussed. Details of another joint venture arrangement with an oil and gas subsidiary of a major Canadian mining and exploration company should be announced in the near future.

Even closer to fruition is an arrangement whereby Merland will acquire a 60% interest and an option on the remaining 40% in a private Calgary firm of oil and gas consultants engaged in the assembly of drilling deals as agents and principals. These moves are indicative of the present trend in the search for natural resources whereby mining and oil companies are working more closely together and in each other's disciplines.

### FINANCIAL

All these varied activities take money. In the summer of 1969 Merland shareholders received rights to subscribe for one share at \$1.50 for each ten held. The net proceeds to the Company of the 365,000 shares thus issued were in the order of \$480,000. In addition, an executive exercised an option on 50,000 shares at \$1 each. These funds were used to repay bank and other loans and to settle accounts payable totalling \$280,000. The balance of \$250,000 was allocated \$150,000 for current exploration programs and \$100,000 for investments and general operating expenses.

Given below is a condensed statement of source and application of funds for the ten months ended July 31, 1969.

#### *Funds Provided*

Net loss .....	\$ (25,600)
Sale of capital stock .....	597,500
Other .....	3,300
	<u>\$ 575,200</u>

#### *Funds Used*

Investments in mining companies — Can-Tropic and Muskox .....	77,500
Mining claims and exploration .....	27,700
Prospecting deposit bond .....	24,100
Underwriting costs .....	66,000
Advances to subsidiaries .....	2,600
	<u>\$ 197,900</u>
Net increase in working capital .....	377,300
Net current assets — October 1, 1968 .....	500,800
Net current assets — July 31, 1969 .....	<u>\$ 878,100</u>



Subsequent to the rights issue, a condensed consolidated balance sheet as at July 31, reads as follows (in \$000's):

Marketable securities* (Market value as at Sept. 20, \$897,000) .....	\$	676
Other current assets .....		210
7½% first mortgage receivable .....		138
Other investments .....		192
Mining and oil properties and exploration expenses, less amounts written off .....		17
		<u>\$ 1,233</u>
Less: Accounts payable .....		8
		<u>8</u>
Shareholders' equity —		
Capital stock issued — 4,065,000 shares ** .....	1,851	
Less: Deficit .....	626	<u>\$ 1,225</u>

\* Mostly Consolidated Morrison Mines Limited, Fort St. John Petroleum Limited and Siscoe Mines Limited.

\*\* 5,000,000 authorized.

Thus, while Merland has not shown operating profits so far, ample liquid assets (including part of the proceeds of the recent rights issue) are available to finance its share of presently planned exploration work.

## MANAGEMENT AND CONTROL

The President of the Company is Mr. R. John Adams, who owns or controls approximately 30% of the issued share capital. Siscoe Mines Limited, of which Mr. Adams is a director, is the second largest shareholder owning nearly 11% of the shares of Merland Oil. Mr. Adams is a well known Canadian hotelier who controls some fourteen Holiday Inns, operating in all provinces except Ontario. In addition he controls a number of private companies active in the hotel, real estate, construction and associated fields. Mr. Adams maintains his Head Office operations in Montreal with branch facilities in Toronto and Vancouver.

The Executive Vice-President and Secretary, Mr. John A. Cameron, and the consulting mining engineer and geologist, Mr. John Phillipson, were reported upon earlier in this review. Other directors of the Executive Committee include Mr. Donald R. Watt, Toronto Resident Director of Grant Johnston & Co. and President of G. W. Nicholson & Company, both members of the Toronto and Montreal Stock Exchanges, and Mr. George T. Smith, President of Siscoe and Camflo Mines, Vice-President of Northgate Explorations and Consolidated Morrison Mines and a director of numerous active mining companies. In addition, Messrs. W. O. Parlee, Q.C. of Edmonton, C. S. Robinson of Sidney, B.C. and M. J. Walton, C.A. of Vancouver, serve on Merland's board.





*File*

**MERLAND**

OIL COMPANY of CANADA LIMITED

# SEMI-ANNUAL REPORT

MARCH 31, 1969





# MERLAND OIL COMPANY

## OF CANADA LIMITED

SUITE 500, 360 BAY STREET,  
TORONTO 105, ONTARIO, CANADA.

### OFFICERS

R. J. ADAMS - - - - - *President*  
JOHN A. CAMERON - - - - - *Executive Vice-President*  
*and Secretary*  
KAZUO TAKAI - - - - - *Treasurer*

### DIRECTORS

R. J. ADAMS - - - - - Montreal  
JOHN A. CAMERON - - - - - Toronto  
W. O. PARLEE, Q.C. - - - - - Edmonton  
C. S. ROBINSON - - - - - Sidney, B.C.  
GEO. T. SMITH, B.A.Sc. - - - - - Toronto  
M. J. WALTON, C.A. - - - - - Vancouver  
D. R. WATT - - - - - Toronto

### AUDITORS

PEAT, MARWICK, MITCHELL & Co.  
Chartered Accountants,  
4 King Street West,  
Toronto 1, Ontario.

### REGISTRARS AND TRANSFER AGENTS

GUARANTY TRUST COMPANY OF CANADA,  
311 - 8th Avenue S.W., Calgary, Alberta.  
624 Howe Street, Vancouver, B.C.  
88 University Avenue, Toronto, Ontario.

### BANKERS

THE ROYAL BANK OF CANADA,  
20 King Street West, Toronto 105, Ontario.

### LISTED

Shares Listed Vancouver Stock Exchange.





# MERLAND OIL COMPANY OF CANADA LIMITED

SUITE 500  
360 BAY STREET  
TORONTO 105, ONTARIO  
363-5815

May 14, 1969.

## Report to Shareholders

This year promises to be one of the most active periods in the 43-year history of Merland Oil Company of Canada Limited. I trust that the programmes outlined in this report will reflect the enterprising nature of your Company's exploration and development plans in Canada and other parts of the world.

A recent progress report outlined to you the Company's participation in Jamaica with Can-Tropic Explorations Limited in the exploration of 43 square miles of exclusive prospecting licences where copper mineralization has been found. Drilling is presently underway.

The April 11th Progress Report also outlined the participation in Muskox Mines Limited and its efforts in the Arctic. As weather improves, Muskox will be starting the 1969 season of exploration and has planned a two-year programme and an estimated expenditure of \$1,600,000.

At Wollaston Lake in Saskatchewan, Merland and its partner, Siscoe Mines Limited, will share equally in a \$70,000 to \$80,000 programme of exploration on two mineral prospecting permits held. The work immediately planned involves an aerial gamma ray spectrometer survey and electromagnetic work to be followed up on the ground and possibly to include diamond drilling if warranted. This uranium area has attracted international attention as a result of the exploration and drilling by a subsidiary of Gulf Oil Corporation which recently reported intersecting commercial indications of uranium in three drill holes.

Merland's newest mineral exploration venture is on an exclusive one-year prospecting licence for nickel covering 7.2 square miles in the Parish of St. Thomas in Jamaica. Present plans involving an expenditure of \$35,000 include simultaneous magnetometer and geochemical surveys across two areas of nickeliferous mineralization with serpentine rocks of Cedar Valley, to be followed by shallow drilling if warranted.

Merland Oil's investment, direct and indirect, in resource exploratory ventures during 1969 are in the order of \$167,000, made up as follows:—

Jamaica — Can-Tropic Explorations Limited — Copper prospect . . . . .	\$ 50,000
Jamaica — Merland Oil — Nickel prospect . . . . .	35,000
Wollaston Lake — Merland Oil — Siscoe Mines Ltd. — Uranium prospect . .	35,000
Victoria Island, NWT — Muskox Mines Limited — Base metals . . . . .	47,000
	<hr/>
	\$ 167,000
	<hr/>

Your Company continues to hold permits covering 592,000 acres on the west shore of Hudson Bay and will follow with great interest the drilling and exploration programmes of Aquitaine Company of Canada Limited and Sogepet Limited which are presently active in this area.

You may depend on your Company's management to keep shareholders advised of any significant developments in Merland's 1969 exploration programmes now in the planning stages or underway. I am pleased to present herewith unaudited consolidated financial statements for the period October 1, 1968 to March 31, 1969, (with comparative figures for 1968) for your information.

Respectfully,

R. JOHN ADAMS,  
President.

# MERLAND OIL COMPANY OF CANADA LIMITED

## AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEET — MARCH 31, 1969

(With Comparative Figures for 1968)

#### ASSETS

##### Current Assets:

	1969	1968
Cash .....	\$ 4,147	\$ 36,520
Marketable securities, at cost (Market Value — \$1,095,125) . . .	674,248	747,524
Mortgage principal due within one year .....	3,928	3,649
Accounts receivable .....	6,385	6,634
Special refundable tax .....	54	54
	<u>688,762</u>	<u>794,381</u>

##### Investments:

Mining companies — share at cost .....	97,548	6,000
Prospecting deposit bond .....	24,063	—
7½ % — Mortgage receivable less current portion .....	139,307	143,234
	<u>260,918</u>	<u>149,234</u>

Net value — oil and gas properties, equipment and development expenditures .....	2,216	3,429
Mining claims and exploration expense at cost less amounts written off .....	50,914	61,753
Incorporation expense .....	747	747
	<u><u>1,003,557</u></u>	<u><u>1,009,544</u></u>

#### LIABILITIES

##### Current Liabilities:

Accounts payable .....	\$ 271,831	\$ 224,897
------------------------	------------	------------

##### Shareholders' Equity:

###### Capital Stock:

Authorized: 5,000,000		
Issued: 3,650,000 .....	1,320,032	1,320,032
Deficit .....	(588,306)	(535,385)
	<u>731,726</u>	<u>784,647</u>
	<u><u>\$1,003,557</u></u>	<u><u>\$1,009,544</u></u>



**MERLAND OIL COMPANY OF CANADA LIMITED**  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS**

**For the six months ended March 31, 1969**

(With Comparative Figures for 1968)

	1969	1968
Sales of crude oil and natural gas .....	\$ 11,488	\$ 8,475
<b>Operating Expenses:</b>		
Operating costs .....	2,880	1,669
Royalties .....	2,487	1,866
	<u>5,367</u>	<u>3,535</u>
Gross Profit .....	<u>6,121</u>	<u>4,940</u>
<b>General and Administrative Expenses:</b>		
Management fees .....	6,600	2,325
Transfer agents' fees .....	1,499	1,005
Travel .....	9,545	1,056
Legal and audit fees .....	1,563	1,415
Printing and stationery .....	775	461
Interest and bank charges .....	8,928	10,186
Telephone and telegraph .....	1,229	604
Consulting fees .....	10,100	—
Sundry .....	430	175
	<u>40,669</u>	<u>17,227</u>
	(34,548)	(12,287)
<b>Other Income:</b>		
Royalties .....	30	28
Interest .....	6,944	5,451
Dividends .....	1,925	2,090
Gain on sale of investments .....	30,856	67,668
Sundry .....	—	220
	<u>39,755</u>	<u>75,457</u>
Net Profit .....	<u>\$ 5,207</u>	<u>\$ 63,170</u>

**MERLAND OIL COMPANY OF CANADA LIMITED**  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF DEFICIT**

**For the six months ended March 31, 1969**

(With Comparative Figures for 1968)

	1969	1968
Balance at beginning of period . . . . .	\$ 593,513	\$ 598,555
Deduct — Net profit for the period . . . . .	5,207	63,170
	<u>\$ 588,306</u>	<u>\$ 535,385</u>

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS**

**For the six months ended March 31, 1969**

(With comparative figures for 1968)

	1969	1968
<b>Funds Provided:</b>		
Net profit . . . . .	\$ 5,207	\$ 63,170
Mortgage receivable — principal repaid . . . . .	1,858	1,726
Mortgage receivable — increase current portion . . . . .	142	132
	<u>7,207</u>	<u>65,028</u>
<b>Funds Used:</b>		
Investment — mining companies . . . . .	77,488	6,000
Prospecting deposit bond . . . . .	24,063	—
Mining claims and exploration expenditures . . . . .	6,295	56,223
Additional development costs . . . . .	—	677
Incorporation expense of subsidiary . . . . .	—	500
	<u>107,846</u>	<u>63,400</u>
Net increase or (decrease) in working capital . . . . .	(100,639)	1,628
Net current assets — beginning . . . . .	517,570	567,856
Net current assets — March 31 . . . . .	<u>\$ 416,931</u>	<u>\$ 569,484</u>









# MERLAND OIL COMPANY OF CANADA LIMITED

SUITE 500  
360 BAY STREET  
TORONTO 1, ONTARIO  
363-5815

## Directors' Report to Shareholders

Your Directors are pleased to present this Report on the Company's affairs for the fiscal year ended September 30th, 1969, together with the financial statements as reported upon by the auditors.

In the summer of 1969 Merland shareholders received rights to subscribe for one share at \$1.50 for each ten shares then held. The funds received by the issue of shares were used to settle bank and broker loans and accounts payable totalling \$280,000 leaving the Company with a net increase in working capital of \$250,000. Your Directors feel that the Company has ample liquid assets to finance planned exploratory activity and to complete projects already underway in Canada and abroad. Working capital at January 1, 1970 was approximately \$750,000.

## Exploration

It has been the policy of the Company to keep its shareholders well informed through the direct mailing of progress reports and during 1969 shareholders received three communications, as well as the Semi-Annual Report in May 1969. "A Special Report", issued in October 1969, reviewed the Company's history, outlined its exploration philosophy and described in detail Merland's investment in direct and joint venture projects. In this statement we will attempt to evaluate the 1969 programmes, forecast expenditures and activities planned for the current year and bring to your attention a new development which we believe will strengthen our penetration into the oil and gas industry.

### Wollaston Lake

Merland Oil and Siscoe Mines Limited, carried out field work in the period August to October 1969 on their two jointly owned permits in Wollaston Lake, Saskatchewan. These preliminary surveys undertaken by Morin & Robert, Consulting Geologists, included geochemistry and running scintillometers on the traverses which were at one mile intervals. Soil samples were collected every 600 feet and the geologists examined all exposures and verified the traverses. The results indicate that the two permits are likely underlain by the Athabasca Sandstone and the consultants have advised that in their opinion the permits do not offer any immediate interest for further mineral exploration. Exploration of both permits has been discontinued.

### Gaspé

During the summer of 1969 four groups, containing a total of 167 claims, were staked by Merland and Siscoe Mines Limited in the mountainous central Gaspé region south of the presently producing Gaspé and Madeleine copper mines. These four claim



groups, in Bonnacamp, Holland, Deslandes-Lesseps and Tourelle Townships, were picked as prime exploration targets on the basis of aerial and ground structural analysis.

On the Bonnacamp group twenty geochemical soil anomalies were indicated by the surveys. Ten are anomalous in copper and zinc and ten are anomalous in zinc only. Eight of the anomalies are considered to be of first priority. Follow-up programmes, consisting of detailed soil sampling and prospecting in the vicinity of the anomalies, have been recommended. A final screening using induced polarization will be carried out over the more significant anomalies.

On the Holland group, four geochemical copper anomalies were indicated. One of the anomalies is located on the periphery of a magnetic anomaly. Follow-up will consist of an induced polarization survey.

On the Deslandes-Lesseps group eleven geochemical soil anomalies were located by the surveys. These can be classified as four copper, five zinc, one copper-zinc-lead, and one lead.

Three of the anomalies are associated with a magnetic anomaly on the eastern half of the property. The north-west part of the group is underlain by skarn covering an area of three thousand by twenty-five hundred feet. Follow-up on this project will consist essentially of prospecting the origin of the anomalies and induced polarization surveys.

On the Tourelle group twelve claims were staked to protect eleven copper and seven zinc anomalies disclosed by the soil sampling programme. Induced polarization surveys using both gradient assay and the three assay system with a 100 foot separation will be employed over a large part of the survey grid and some supplemental geochemical work will also be necessary. It is obvious that at least 2,500 feet of diamond drilling will be necessary to investigate the source of the anomalies.

All of the recommended work on the Bonnacamp, Holland, Deslandes-Lesseps and Tourelle groups will be carried out early next summer with preliminary drilling completed by the end of the season. A budget for 1970 to be shared equally by Merland and Siscoe has been established at \$50,000 for these exploration targets. Total costs to date for Gaspé exploration are approximately \$46,000.

## **Jamaica**

The 1969 drilling programme undertaken on the Can-Tropic Exploration Ltd. copper permits has been completed and the Company's consulting engineer and geologist has produced a detailed report which is presently being evaluated. Further examination of the properties represented in the six permits (42 square miles) has been recommended and a specific plan for exploration during this winter is being worked out.

Preliminary investigations in the 19 square mile area of ultramafic rocks and nickel soil geochemical anomalies held by Merland Oil Company in Arntully and Cedar Valley, Parish of St. Thomas, Jamaica, have been completed. These confirmed the previous indications but random distribution and a limited amount of drilling disclosed that the nature of the anomalies is secondary, that is, not corresponding to rocks in situ but to the physical and chemical breakdown of large blocks and boulders.

A programme of detailed geologic mapping and grassroots prospecting is to be undertaken in January 1970. Concurrently with the mapping programme, the following exploratory activities will also be carried out. A ground magnetic survey to determine the covered contacts of the ultramafic body and give an indication of structure; a stream

geochemical sampling programme for nickel and a bedrock sampling programme for nickel-chromium; a heavy minerals investigation of the rivers and streams draining the area. It is expected that this work programme will be completed within the next 6 months and that it will provide sufficiently interesting targets for the drill already on the property. A budget of \$50,000 has been provided for this phase of activity.

Dr. Gordon Siddeley, B.Sc., Ph.D. Geology, who has specialized in geochemical guides to nickel prospecting and the study of ultramafic rocks, will be the resident consultant for the nickel and copper programmes in Jamaica.

#### **Muskox Mines Limited**

The results of the 1969 exploration programme are presently being evaluated by the consultants, Messrs. Watts, Griffis & McQuat Limited but we do not have their summary and conclusions at this time.

Your Company continues to examine interesting and potentially profitable situations in Greece and Spain and will report on these ventures as conditions warrant.

#### **OIL AND GAS**

Your Company has just finalized an agreement whereby Merland will acquire a 60% interest in Conquest Oil & Mining Ltd., a private Calgary firm of oil and gas consultants engaged in the assembly of drilling ventures as agents and principals. We are pleased to announce that Mr. P. M. Oley, P.Eng., President of Conquest, has agreed to accept an appointment as Manager, Calgary Branch, for Merland Oil Company of Canada Limited. Offices are maintained at 1380 Guinness House, Calgary, Alberta.

These moves are indicative of the present trend in the search for natural resources, whereby mining and oil companies are working more closely together and in each other's disciplines.

#### **Hudson's Bay**

Plans are proceeding for the drilling of a "slim hole" on the permits owned by Merland's subsidiary, Northwest Oils Ltd. and the target date is March/April 1970. We are pleased to have as investors Adera Mining Limited, Pathfinder Uranium & Nickel Mines Limited and Oro Mines Limited, each of whom has a 12% working interest in the permits.

#### **GENERAL**

This past year has been the most active in the history of the Company and the Directors are satisfied that it is possible to provide substantial exposure to resource prospects by a well-financed, total utilization of a small professional staff. You may depend on your Company's management to keep shareholders advised of all significant developments in Merland's exploration programmes, now underway or in the planning stages.

Submitted on behalf of the Board,

R. JOHN ADAMS, President.

January 15th, 1970.

**MERLAND OIL COMPANY**  
**AND**

**CONSOLIDATED BALANCE SHEET**  
(With comparative figures)

**ASSETS**

Current Assets:	1969	1968
Cash	\$ 101,492	\$ 16,983
Marketable securities, substantially at cost (quoted market value 1969 — \$806,610; 1968 — \$859,525)	661,505	775,739
Due from other exploration companies (note 1)	30,000	—
Mortgage principal due within one year	4,075	3,786
Accounts receivable	33,358	3,301
Total current assets	830,430	799,809
7½% mortgage receivable	141,306	145,092
Less current portion	4,075	3,786
	137,231	141,306
Equipment, at cost less depreciation:		
Office equipment	506	596
Production equipment	21,413	48,903
Exploration equipment	14,741	—
	36,660	49,499
Less accumulated depreciation	22,908	49,339
	13,752	160
Shares in mining exploration companies, at cost (note 2)	97,548	20,060
Development expenditures, at cost less accumulated amortization (1969 — \$97,285; 1968 — \$170,793)	987	2,055
Non-producing petroleum and natural gas leases, at nominal value	2	2
Deferred exploration expenses:		
Project exploration expenses, at cost less amounts written off	112,238	45,891
Marketable securities pledged as deposits to cover work commitments on exploration permits, at cost (quoted market value \$98,783)	101,598	—
	213,836	45,891
Less interest in project transferred to other exploration companies (note 1)	30,000	—
	183,836	45,891
Expenses on issue of shares	86,687	17,000
Incorporation expenses	748	748
	<u>\$1,351,221</u>	<u>\$1,027,031</u>

See accompanying notes to financial statements



# OF CANADA LIMITED

DIARIES

ET — SEPTEMBER 30, 1969

(figures for 1968)

## LIABILITIES

Current liabilities:

	1969	1968
Accounts payable and accrued expenses .....	\$ 63,443	\$ 283,512
Total current liabilities .....	<u>63,443</u>	<u>283,512</u>

Shareholders' equity:

Capital stock (note 3):

Authorized — 5,000,000 shares without nominal or par value

Issued and fully paid — 4,065,000 shares (1968 — 3,650,000 shares) .....	1,934,532	1,337,032
---	-----------	-----------

Deficit .....	(646,754)	(593,513)
	<u>1,287,778</u>	<u>743,519</u>

Approved on behalf of the Board:

JOHN A. CAMERON, Director

R. JOHN ADAMS, Director

\$1,351,221

\$1,027,031

olidated financial statements.

# MERLAND OIL COMPANY OF CANADA LIMITED

## AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND DEFICIT

Year ended September 30, 1969  
(With comparative figures for 1968)

	1969	1968
Sales of crude oil and natural gas .....	\$ 18,879	\$ 23,729
<b>Operating expenses applicable thereto:</b>		
Operating costs .....	4,950	4,967
Royalties .....	4,090	5,203
	<u>9,040</u>	<u>10,170</u>
Excess of proceeds of sales of crude oil and natural gas over operating expenses exclusive of depreciation and amortiza- tion .....	9,839	13,559
<b>Other income:</b>		
Gain on sale of investments .....	39,013	69,411
Interest .....	15,256	11,972
Dividends .....	3,850	4,050
Royalties .....	45	72
	<u>58,164</u>	<u>85,505</u>
	68,003	99,064
<b>General and administrative expenses:</b>		
Management fees .....	20,100	5,925
Transfer agent's fees .....	4,147	1,459
Travel .....	8,943	2,256
Legal and audit fees .....	9,792	1,802
Printing and stationery .....	3,426	632
Interest and bank charges .....	16,406	20,713
Telephone and telegraph .....	3,523	918
Insurance .....	—	50
Depreciation and amortization .....	2,027	896
Miscellaneous .....	1,457	828
Salaries .....	1,708	—
Consulting fees not allocated to projects .....	3,610	—
	<u>75,139</u>	<u>35,479</u>
Project exploration expenses written off .....	(7,136) 46,105	63,585 58,422
<b>Net profit (loss) .....</b>	<b>(53,241)</b>	<b>5,163</b>
Deficit, beginning of year .....	593,513	598,555
Add prior year's income taxes .....	—	121
	<u>593,513</u>	<u>598,676</u>
<b>Deficit, end of year .....</b>	<b>\$ 646,754</b>	<b>\$ 593,513</b>

See accompanying notes to consolidated financial statements.

# MERLAND OIL COMPANY OF CANADA LIMITED

## AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended September 30, 1969  
(With comparative figures for 1968)

	1969	1968
<b>Funds provided:</b>		
Net profit (loss) .....	\$ (53,241)	\$ 5,163
Add charges not requiring an outlay of funds:		
Loss on disposal of equipment .....	58	—
Depreciation and amortization .....	2,027	896
Project exploration expenses written off .....	46,105	58,422
Funds provided from operations .....	(5,051)	64,481
Principal payments due within one year on mortgage receivable ..	4,075	3,786
Proceeds on issue of share capital (net) (note 3) .....	527,813	—
Reduction in special refundable tax due beyond one year .....	—	24
Proceeds due from transfer of interest in exploration project (note 1)	30,000	—
	<u>556,837</u>	<u>68,291</u>
<b>Funds used:</b>		
Project exploration expenditures .....	111,814	98,784
Purchase of marketable securities pledged as deposits .....	101,598	—
Investment in shares of mining exploration companies .....	77,488	20,060
Purchase of exploration equipment .....	14,741	—
Purchase of office equipment .....	506	—
Other .....	—	982
	<u>306,147</u>	<u>119,826</u>
Net increase (decrease) in working capital .....	<u>\$ 250,690</u>	<u>\$ (51,535)</u>
Working capital, beginning of year .....	\$ 516,297	567,832
Working capital, end of year .....	766,987	516,297
Net increase (decrease) in working capital .....	<u>\$ 250,690</u>	<u>\$ (51,535)</u>

See accompanying notes to consolidated financial statements.



# MERLAND OIL COMPANY OF CANADA LIMITED

## AND SUBIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended September 30, 1969

1. During the year a subsidiary company, Northwest Oils Ltd., sold a 36% interest in its Hudson's Bay project, being one of eight projects currently under exploration by the Company, to three other exploration companies for a total consideration of \$30,000 payable in cash.
2. An advance of \$20,060 was made by Merland Oil Company of Canada Limited pursuant to the Muskox Syndicate agreement entered into in March, 1968. In December, 1968, a company was incorporated, Muskox Mines Limited and Merland Oil Company of Canada Limited received 75,592 Class A shares for the company's interest in the former syndicate. In March, 1969, Merland Oil Company of Canada Limited acquired a further 13,744 Class A shares pursuant to a rights offering for \$27,488, thus increasing its total shareholdings to 89,336 shares at a cost of \$47,548. During the year, Merland Oil Company of Canada Limited acquired 400,000 common shares in Can-Tropic Explorations Limited at a cost of \$50,000.
3. During the year Merland Oil Company of Canada Limited issued 365,000 shares for \$547,500. Costs incurred in connection with such issue, including underwriter's commission, amounted to \$69,687 and have been included in the balance sheet in "Expenses on issue of shares". Costs of \$17,000 incurred in connection with an issue of shares in an earlier year, and applied previously in the accounts against "Capital stock issued", have been adjusted in the comparative 1968 figures and included in "Expenses on issue of shares".

In May, 1969, a director exercised an option to purchase 50,000 shares at \$1.00 per share.

At September 30, 1969, there were options outstanding with respect to the shares of Merland Oil Company of Canada Limited as follows:

(i) Options held by officers of Merland Oil Company of Canada Limited:

Number of shares	Price	When exercisable
25,000	\$1.00	January 1, 1970 to December 31, 1970
2,500	1.25	On or before December 31, 1969
2,500	1.50	January 1, 1970 to December 31, 1970

(ii) Options held by the engineering and geological consultant of Merland Oil Company of Canada Limited:

Number of shares	Price	When exercisable
15,000	\$1.50	On or before December 31, 1969
15,000	2.00	January 1, 1970 to December 31, 1970
15,000	2.50	January 1, 1971 to December 31, 1971



**PEAT, MARWICK, MITCHELL & Co.**

**CHARTERED ACCOUNTANTS**

**PRUDENTIAL BUILDING  
4 KING STREET WEST  
TORONTO 1, ONTARIO**

**AUDITORS' REPORT TO THE SHAREHOLDERS**

We have examined the consolidated balance sheet of Merland Oil Company of Canada Limited and subsidiaries as of September 30, 1969 and the consolidated statements of profit and loss and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company and subsidiaries at September 30, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year (as restated — see note 3 to the financial statements).

Toronto, Ontario,  
November 14, 1969.

**PEAT, MARWICK, MITCHELL & CO.,**  
Chartered Accountants.

